



USAID | UKRAINE

FROM THE AMERICAN PEOPLE

FINANCIAL MARKETS DEVELOPMENT



Photo: Courtesy of CIPA

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THE CHALLENGE

Foreign and domestic investment is stymied by inadequate capital market and financial instruments, credit resources and generally accepted accounting standards.

PROGRAM OBJECTIVES

- Enhance regulator's capacity for oversight and supervision of non-bank financial markets base.
- Improve legislative framework in support of pension reform.
- Work with leading pension funds and capital market participants to strengthen industry standards.
- Develop new financial instruments.
- Develop the primary and secondary mortgage market.
- Increase the capacity of the leasing industry.
- Develop a credit bureau to facilitate growth of credit for mortgages and other retail lending.
- Help develop the professional accountancy association and the transition to International Financial Reporting Standards.

OVERVIEW

To support further economic development and increased business investment, Ukraine needs to give entrepreneurs the ability to easily access various sources of financial credit. Meanwhile foreign investment requires internationally recognized accounting standards. To support both domestic and foreign investment there is also a need to broaden and deepen the range of financial instruments available for portfolio investment, which will help as well to put a national pension system on solid financial footing.

OUR PROGRAMS

Capital Markets Projects

The USAID/Capital Markets Project is a five-year program designed to assist in creating a vibrant and effective financial sector, which will sustain economic growth and reduce the costs and risk to a sound pension system. It involves three major components: **Capacity Building:** to provide efficient and effective prudential regulation to the non-bank financial sector (insurance companies, pension funds, broker/dealers, and self-regulatory organizations.); **Financial Instruments:** broaden and deepen the range of financial instruments available for portfolio investment and long-term capital appreciation; and **Pension System:** assist the government in drafting legislation and addressing policy issues related to the mandatory accumulation system and develop a public education program on pension reform.

Access to Credit Initiative

The Access to Credit Initiative mobilizes credit for small and medium businesses, prospective homeowners, farmers, and municipalities. It increases the capacity of Ukrainian banks and non-bank financial institutions to make business and home loans. The core components of this project are: mortgage lending, municipal bonds, financial leasing and credit bureaus.

Accounting Reform

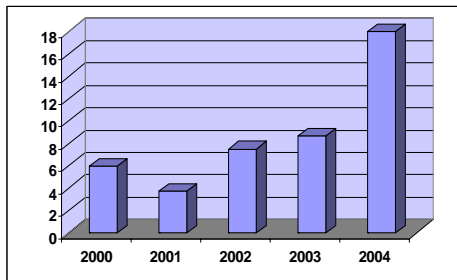
USAID is promoting the Certified International Professional Accountant (CIPA) designation throughout the CIS with the goal of creating professional accountants that are at the same technical and professional level as their counterparts in advanced market economies. In addition, the program aims to promote regional economic and professional integration by creating a common certification framework that can be implemented in all the CIS countries. The purpose of the CIPA-Ukraine project is to enhance the quality of accounting profession with the aim of improving the accuracy and credibility of financial reporting.

PROGRAM HIGHLIGHTS

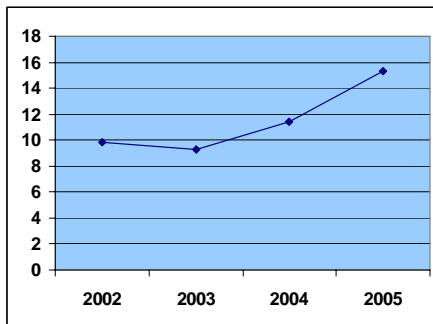
Capital Markets Project

- Coordinated and worked with the Securities and Stock Market State Commission on supporting passage of the recent Law on Securities and the Stock Market leading to internationally compliant legislative framework for the capital market.

**Share of Financial Market
Capitalization in GDP, %**
(Source: EBRD)



**Share of Pension Fund
Expenditures in GDP, %**
(Source: WB/USAID)



Implementing Partners
Financial Markets Group;
Chemonics, International;
Thunderbird University, Pragma
Corp., Eurasian Council of Certified
Accountants and Auditors, U.N.
Conference on Trade and
Development

- Completed extensive foundation work in the area of information systems necessary to support financial sector development, and institutional assessments of IT capacity at the Financial Services Regulator and the Securities and Stock Market State Commission leading to development of an effective information system for exchange of information between regulators.
- Repaired and re-launched the SMIDA website at the SSMSC which serves as the major source of financial disclosure in Ukraine.
- Provided a program for resolving current problems with the Government of Ukraine's program for a national depository, pursuant to implementation instructions from the Cabinet of Ministers to the Securities and Stock Market State Commission.
- Developed with CASE/Ukraine a quarterly and annual macroeconomic and financial sector report on the Ukrainian financial sector.
- Provided assistance to the Ministry of Labor and Social Policy on pension reform draft laws.

Access to Credit

- Assisted the State Mortgage Institution in preparing its mortgage crediting program and pilot mortgage-backed bond issue.
- Delivered a Certified Mortgage Lender program for 20 Ukrainian banks.
- Trained key regulatory Securities and Stock Market State Commission personnel in the fundamentals of mortgage lending.
- Signed protocols with four banks to issue pilot mortgage-backed bonds.
- Developed city and utility company credit evaluation methodologies.
- Assisted the City of Ivano Frankivsk to issue and place its first pilot municipal bond for improvement of street lighting.
- Facilitated the start-up of five internationally-recognized leasing companies in Ukraine.

Accounting Reform

- Initiated a regional training, testing, and certification program – the Certified International Professional Accountant (CIPA) - that complies with international professional standards.
- Developed standardized procedures on converting to the International Accounting Standards, and provided assistance to over 800 enterprises on converting their practices.
- Stimulated establishment of two professional accountancy associations promoting accounting and audit reforms.
- Created a pool of trainers who have delivered courses to more than 8,000 participants courses in 17 oblasts and the Autonomous Republic of Crimea;
- Certified 1,861 certified accounting practitioners and 39 certified international professional accountants.
- The National Bank of Ukraine (NBU) has approved certain CIPA exams as qualifying examinations for a statutory independent bank auditors license (as well as CPA and ACCA exams).

For more information, please contact USAID/Ukraine Development Outreach & Communications, tel. (380 44) 537 4600 or visit <http://ukraine.usaid.gov>